

**TOWN OF ALLENSTOWN,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009**

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Allenstown
Allenstown, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Allenstown as of and for the fiscal year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Allenstown's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 14 to the financial statements, management has not recorded a liability for other postemployment benefits in governmental activities, and accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post employment benefits be accrued as liabilities and expenses on the government-wide financial statements which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Allenstown as of December 31, 2009, or the changes in financial position thereof for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Town of Allenstown as of December 31, 2009, and the respective changes in financial position thereof and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Allenstown has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

***Town of Allentown
Independent Auditor's Report***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2011 on our consideration of the Town of Allentown's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Allentown's basic financial statements as a whole. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Shirley A. Colby, CPA

March 3, 2011

PLODZIK & SANDERSON
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,741,707	\$ 981,349	\$ 6,723,056
Investments	5,955	-	5,955
Intergovernmental receivable	50,356	91,001	141,357
Other receivables, net of allowances for uncollectible	1,006,946	251,742	1,258,688
Prepaid items	1,809	-	1,809
Tax deeded property held for resale	6,229	-	6,229
Capital assets, not being depreciated:			
Land	2,065,857	25,962	2,091,819
Capital assets, net of accumulated depreciation:			
Land improvements	-	21,915	21,915
Buildings and building improvements	764,512	3,575	768,087
Machinery, equipment and vehicles	222,672	407,752	630,424
Infrastructure	-	470,817	470,817
Total assets	<u>9,866,043</u>	<u>2,254,113</u>	<u>12,120,156</u>
LIABILITIES			
Accounts payable	67,285	104,042	171,327
Accrued salaries and benefits	17,658	-	17,658
Intergovernmental payable	3,118,440	-	3,118,440
Accrued interest payable	16,117	-	16,117
Unearned revenue	1,072,895	1,100	1,073,995
Noncurrent obligations:			
Due within one year:			
Bonds	95,000	-	95,000
Capital leases	22,073	-	22,073
Due in more than one year:			
Bonds	335,000	-	335,000
Capital leases	8,540	-	8,540
Compensated absences	14,996	-	14,996
Total liabilities	<u>4,768,004</u>	<u>105,142</u>	<u>4,873,146</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,592,428	930,021	3,522,449
Restricted for perpetual care	1,375	-	1,375
Unrestricted	2,504,236	1,218,950	3,723,186
Total net assets	<u>\$ 5,098,039</u>	<u>\$ 2,148,971</u>	<u>\$ 7,247,010</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2009

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	
Governmental activities:						
General government	\$ 988,606	\$ 919	\$ 17,637	\$ (970,050)	\$ -	\$ (970,050)
Public safety	1,287,706	42,363	28,993	(1,216,350)	-	(1,216,350)
Highways and streets	439,419	-	137,083	(302,336)	-	(302,336)
Sanitation	154,495	53,436	-	(101,059)	-	(101,059)
Health	31,888	-	-	(31,888)	-	(31,888)
Welfare	53,961	-	-	(53,961)	-	(53,961)
Culture and recreation	132,944	-	-	(132,944)	-	(132,944)
Conservation	-	-	12,061	12,061	-	12,061
Interest on long-term debt	23,471	-	-	(23,471)	-	(23,471)
Capital outlay	-	-	870,042	870,042	-	870,042
Total governmental activities	3,112,490	96,718	1,065,816	(1,949,956)	-	(1,949,956)
Business-type activities:						
Sewer department	1,562,262	1,967,443	112,456	-	517,637	517,637
Total	\$ 4,674,752	\$ 2,064,161	\$ 1,178,272	(1,949,956)	517,637	(1,432,319)
General revenues:						
Taxes:						
Property				1,985,809	-	1,985,809
Other				116,874	-	116,874
Motor vehicle permit fees				526,254	-	526,254
Licenses and other fees				26,718	-	26,718
Grants and contributions not restricted to specific programs				225,077	-	225,077
Miscellaneous				66,690	9,818	76,508
Transfers				340,000	(340,000)	-
Total general revenues				3,287,422	(330,182)	2,957,240
Change in net assets				1,337,466	187,455	1,524,921
Net assets, beginning, as restated (see Note 12)				3,760,573	1,961,516	5,722,089
Net assets, ending				\$ 5,098,039	\$ 2,148,971	\$ 7,247,010

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2009

	General	Expendable Trust	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,785,026	\$ 1,411,784	\$ 499,145	\$ 45,752	\$ 5,741,707
Investments	903	-	-	5,052	5,955
Receivables, net of allowance for uncollectible:					
Taxes	976,759	-	-	-	976,759
Accounts	30,187	-	-	-	30,187
Intergovernmental	25,118	-	25,238	-	50,356
Interfund receivable	11,086	-	549,120	36	560,242
Tax deeded property subject to resale	6,229	-	-	-	6,229
Prepaid items	1,809	-	-	-	1,809
Total assets	<u>\$ 4,837,117</u>	<u>\$ 1,411,784</u>	<u>\$ 1,073,503</u>	<u>\$ 50,840</u>	<u>\$ 7,373,244</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 67,285	\$ -	\$ -	\$ -	\$ 67,285
Accrued salaries and benefits	17,658	-	-	-	17,658
Intergovernmental payable	3,102,967	-	15,473	-	3,118,440
Interfund payable	545,646	7,836	-	6,760	560,242
Deferred revenue	14,865	-	1,058,030	-	1,072,895
Total liabilities	<u>3,748,421</u>	<u>7,836</u>	<u>1,073,503</u>	<u>6,760</u>	<u>4,836,520</u>
Fund balances:					
Reserved for encumbrances	1,405	-	-	-	1,405
Reserved for endowments	-	-	-	1,375	1,375
Reserved for special purposes	-	-	-	5,190	5,190
Reserved for tax deeded property subject to resale	6,229	-	-	-	6,229
Unreserved, undesignated, reported in:					
General fund	1,081,062	-	-	-	1,081,062
Special revenue funds	-	1,403,948	-	37,515	1,441,463
Total fund balances	<u>1,088,696</u>	<u>1,403,948</u>	<u>-</u>	<u>44,080</u>	<u>2,536,724</u>
Total liabilities and fund balances	<u>\$ 4,837,117</u>	<u>\$ 1,411,784</u>	<u>\$ 1,073,503</u>	<u>\$ 50,840</u>	<u>\$ 7,373,244</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
December 31, 2009

Total fund balances of governmental funds (Exhibit C-1)			\$ 2,536,724
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
Cost	\$ 5,428,928		
Less accumulated depreciation	<u>(2,375,887)</u>		
		3,053,041	
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.			
Receivables	\$ (560,242)		
Payables	<u>560,242</u>		
		-	
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable		(16,117)	
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Bonds	\$ 430,000		
Capital leases	30,613		
Compensated absences payable	<u>14,996</u>		
		(475,609)	
Total net assets of governmental activities (Exhibit A)			<u>\$ 5,098,039</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2009

	General	Expendable Trust	Grants	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,102,682	\$ -	\$ -	\$ -	\$ 2,102,682
Licenses and permits	552,971	-	-	-	552,971
Intergovernmental	374,222	-	895,924	2,160	1,272,306
Charges for services	112,967	-	-	16,841	129,808
Miscellaneous	21,964	17,559	2,865	9,801	52,189
Total revenues	<u>3,164,806</u>	<u>17,559</u>	<u>898,789</u>	<u>28,802</u>	<u>4,109,956</u>
Expenditures:					
Current:					
General government	982,777	-	-	-	982,777
Public safety	1,224,908	-	-	15,927	1,240,835
Highways and streets	410,215	-	-	-	410,215
Sanitation	153,888	-	-	-	153,888
Health	31,888	-	-	-	31,888
Welfare	53,961	-	-	-	53,961
Culture and recreation	29,981	-	-	95,439	125,420
Debt service:					
Principal	95,000	-	-	-	95,000
Interest	25,884	-	-	-	25,884
Capital outlay	-	-	935,589	-	935,589
Total expenditures	<u>3,008,502</u>	<u>-</u>	<u>935,589</u>	<u>111,366</u>	<u>4,055,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>156,304</u>	<u>17,559</u>	<u>(36,800)</u>	<u>(82,564)</u>	<u>54,499</u>
Other financing sources (uses):					
Transfers in	16,541	490,000	36,800	54,424	597,765
Transfers out	(54,424)	(166,541)	-	(36,800)	(257,765)
Inception of capital lease	25,650	-	-	-	25,650
Total other financing sources and uses	<u>(12,233)</u>	<u>323,459</u>	<u>36,800</u>	<u>17,624</u>	<u>365,650</u>
Net change in fund balances	144,071	341,018	-	(64,940)	420,149
Fund balances, beginning	944,625	1,062,930	-	109,020	2,116,575
Fund balances, ending	<u>\$ 1,088,696</u>	<u>\$ 1,403,948</u>	<u>\$ -</u>	<u>\$ 44,080</u>	<u>\$ 2,536,724</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2009

Net change in fund balances of governmental funds (Exhibit C-3)	\$	420,149
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. In the statement
of activities, the cost of those assets is allocated over their estimated useful
lives as depreciation expense. This is the amount by which capitalized
capital outlay exceeded depreciation expense in the current period.

Capitalized capital outlay	\$ 932,492	
Depreciation expense	(114,508)	
		817,984

Transfers in and out between governmental funds are eliminated
on the operating statement.

Transfers in	\$ (107,765)	
Transfers out	107,765	
		-

The repayment of the principal of long-term debt consumes the current financial
resources of governmental funds, but has no effect on net assets.

Proceeds of capital lease	\$ (25,650)	
Repayment of capital lease principal	29,872	
Repayment of bond principal	95,000	
		99,222

Some expenses reported in the statement of activities do not require the
use of current financial resources, and therefore, are not reported as
expenditures in governmental funds.

Decrease in accrued interest expense	\$ 2,413	
Increase in compensated absences payable	(2,302)	
		111

Changes in net assets of governmental activities (Exhibit B)	\$	1,337,466
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EXHIBIT D-1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Net Assets
December 31, 2009

	Business-type Activities
	Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 981,349
Intergovernmental receivable	91,001
Other receivables, net of allowance for uncollectible	251,742
Capital assets, not being depreciated:	
Land	25,962
Capital assets, net of accumulated depreciation:	
Land improvements	21,915
Buildings and building improvements	3,575
Machinery, equipment and vehicles	407,752
Infrastructure	470,817
Total assets	<u>2,254,113</u>
LIABILITIES	
Accounts payable	104,042
Unearned revenue	1,100
Total liabilities	<u>105,142</u>
NET ASSETS	
Invested in capital assets	930,021
Unrestricted	1,218,950
Total net assets	<u>\$ 2,148,971</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D-2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended December 31, 2009

	Business-type Activities Enterprise Fund (Sewer Department)
Operating revenues:	
Charges for sales and services:	
User charges	\$ 1,967,443
Miscellaneous	9,818
Total operating revenues	<u>1,977,261</u>
Operating expenses:	
Cost of sales and services	1,454,821
Depreciation	107,441
Total operating expenses	<u>1,562,262</u>
Operating income	<u>414,999</u>
Nonoperating revenue:	
ARRA/State revolving loan	91,001
Interest	21,455
Total nonoperating revenues	<u>112,456</u>
Income before transfers	<u>527,455</u>
Other financing sources (uses):	
Transfers in	150,000
Transfers out	(490,000)
Total other financing sources and uses	<u>(340,000)</u>
Change in net assets	187,455
Net assets, beginning	1,961,516
Net assets, ending	<u><u>\$ 2,148,971</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D-3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2009

	Business-type Activities
	Enterprise Fund (Sewer Department)
Cash flows from operating activities:	
Receipts from customers and users	\$ 1,945,604
Payments to suppliers and employees	(1,509,257)
Net cash provided by operating activities	<u>436,347</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of fixed assets	91,001
Payments to capital reserve	(490,000)
Payments from capital reserve	150,000
Net cash used by capital and related financing activities	<u>(248,999)</u>
Cash flows from investing activities:	
Interest received	<u>21,455</u>
Net increase in cash	208,803
Cash, beginning	772,546
Cash, ending	<u><u>\$ 981,349</u></u>
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
Operating income	<u>\$ 414,999</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	107,441
Increase in other receivables	(32,757)
Increase in capital assets	(82,498)
Increase in accounts payable	31,505
Increase in unearned revenue	1,100
Decrease in accrued salaries and benefits	(3,443)
Total adjustments	<u>21,348</u>
Net cash provided by operating activities	<u><u>\$ 436,347</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Fiduciary Fund
Statement of Fiduciary Net Assets
December 31, 2009

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 91,573
LIABILITIES	
Due to other governmental units	<u>91,573</u>
NET ASSETS	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Allenstown are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Allenstown, New Hampshire (the Town), is a municipal corporation governed by an elected 3-member Board of Selectmen. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The statement of net assets presents information on all of the entity's assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories; invested in capital assets, net of related debt; restricted; or unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts, that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized as major funds or nonmajor funds within the governmental, proprietary and fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined; and

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- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

Governmental Activities – Governmental funds are identified as general, special revenue, and permanent funds, based upon the following guidelines:

General Fund - is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Permanent Funds – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

Proprietary Fund Type - This fund accounts for operations that are organized to be self-supporting through user charges. The fund included in this category is as follows:

Enterprise Fund – is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type – This fund accounts for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. The Fiduciary Fund type is not part of the reporting entity in the Government-wide financial statements, but is reported in a separate statement of fiduciary net assets. This fund is as follows:

Agency Fund – is used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

Major Funds – The Town reports the following major governmental funds:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Expendable Trust Fund – the expendable trust fund accounts for the legally established funds for future costs.

Grants Fund – the grants fund accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

The Town reports the following major enterprise fund:

Sewer Department Fund – accounts for the operation of the sewer treatment plant, pumping station and sewer lines in the Town.

The Town also reports six nonmajor governmental funds.

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1-C Measurement Focus

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds consist of charges to customers for services. Operating expenses of the Town's proprietary funds consists of the costs of services, maintenance, administrative expenses, and depreciation and amortization of capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting and financial reporting for governmental and business-type activities is based on all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements:

- a. Financial Accounting Standards Board (FASB) Statements and Interpretations;
- b. Accounting Principles Board Opinions;
- c. Accounting Research Bulletins of the Committee on Accounting Procedure.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town may also apply FASB pronouncements issued after November 30, 1989 to business-type activities and enterprise funds, unless these pronouncements conflict with or contradict GASB pronouncements. The Town has elected not to follow subsequent private-sector pronouncements.

Governmental Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

Revenues – Nonexchange Transactions – Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

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Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: taxes, charges for services, interest, and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. The principal operating revenue of the enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

New Hampshire statutes require that the Town treasurer have custody of all money belonging to the Town and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value based on quoted market prices.

1-F Receivables

Receivables in the government-wide financial statements represent amounts due to the Town at December 31, recorded as revenue, which will be collected in the future and consist primarily of taxes, accounts, and intergovernmental receivables.

Tax revenue is recorded when a warrant for collection is committed to the tax collector. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when serviced was provided.

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1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets. Balances between governmental and proprietary funds are eliminated on the line "internal balances."

1-H Capital Assets

General capital assets are those assets of a capital nature which the Town owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	40
Buildings and building improvements	33-100
Machinery, equipment and vehicles	5-40
Infrastructure	20-40

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-I Allowances for Uncollectible Accounts

An allowance for uncollectible accounts has been recorded for the following purposes:

Taxes – an allowance has been established by management where collectability is in doubt.

Sewer Rents – an allowance has been established for all amounts older than one year.

1-J Deferred/Unearned Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide statements of net assets, deferred revenue is classified as unearned revenue.

1-K Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by the personnel policy.

Vested amounts of vacation are reported as long-term liabilities in the statement of net assets.

1-L Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements.

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1-M Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-N Equity Classifications

Government-Wide Statements – Equity is classified as net assets and displayed in three components:

- a) *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or capital leases that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted net assets* – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements – Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved. Reserved fund balances represent amounts not available for appropriation, or are legally restricted by outside parties for use for a specific purpose. Undesignated fund balance amounts represent amounts available for use in future periods.

1-O Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the statement of net assets.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-P Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

NOTE 2 – CUSTODIAL CREDIT RISK FOR DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2009, none of the Town’s bank balances of \$7,002,277 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash and cash equivalents per statement of net assets (Exhibit A)	\$ 5,741,707
Cash and cash equivalents per statement of proprietary net assets (Exhibit D-1)	981,349
Cash and cash equivalents per statement of fiduciary net assets (Exhibit E)	91,573
Total cash and cash equivalents	<u>\$ 6,814,629</u>

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NOTE 3 – TAXES RECEIVABLE

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2009, upon which the 2009 property tax levy was based is:

For the New Hampshire education tax	\$ 258,527,572
For all other taxes	\$ 266,789,172

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

In connection with the setting of the tax rate, Town officials, with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowance at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Allenstown School District, and Merrimack County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2009 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.94	\$ 2,115,820
School portion:		
State of New Hampshire	\$2.47	638,922
Local	\$15.85	4,229,432
County portion	\$2.78	742,977
Total		<u>\$ 7,727,151</u>

During the current fiscal year, the tax collector executed a lien on April 15, 2009 for all uncollected 2008 property taxes.

Taxes receivable at December 31, 2009, are as follows:

Property:	
Levy of 2009	\$ 635,610
Unredeemed (under tax lien):	
Levy of 2008	275,680
Levy of 2007	112,477
Levies of 2006 and prior	14,992
Less: allowance for estimated uncollectible taxes	(62,000)
Net taxes receivable	<u>\$ 976,759</u>

NOTE 4 – OTHER RECEIVABLES

Receivables at December 31, 2009, consisted of accounts (billings for police details and sewer) and intergovernmental amounts arising from grants.

Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 consisted of the following:

	Balance, beginning, as restated	Changes	Balance, ending
Governmental activities:			
At cost:			
Not being depreciated:			
Land	\$ 1,159,015	\$ 906,842	\$ 2,065,857
Being depreciated:			
Buildings and building improvements	1,079,159	-	1,079,159
Machinery, equipment and vehicles	2,258,262	25,650	2,283,912
Total capital assets being depreciated	3,337,421	25,650	3,363,071
Total all capital assets	4,496,436	932,492	5,428,928
Less accumulated depreciation:			
Buildings and building improvements	(288,422)	(26,225)	(314,647)
Machinery, equipment and vehicles	(1,972,957)	(88,283)	(2,061,240)
Total accumulated depreciation	(2,261,379)	(114,508)	(2,375,887)
Net book value, capital assets being depreciated	1,076,042	(88,858)	987,184
Net book value, all capital assets	\$ 2,235,057	\$ 817,984	\$ 3,053,041
Business-type activities:			
At cost:			
Not being depreciated:			
Land	\$ 25,962	\$ -	\$ 25,962
Construction in progress	103,509	(103,509)	-
Total capital assets not being depreciated	129,471	(103,509)	25,962
Being depreciated:			
Land improvements	125,230	-	125,230
Buildings	655,504	-	655,504
Machinery, equipment and vehicles	827,888	186,007	1,013,895
Infrastructure	1,583,541	-	1,583,541
Total capital assets being depreciated	3,192,163	186,007	3,378,170
Total all capital assets	3,321,634	82,498	3,404,132
Less accumulated depreciation:			
Land improvements	(100,184)	(3,131)	(103,315)
Buildings	(632,065)	(19,864)	(651,929)
Machinery, equipment and vehicles	(563,589)	(42,554)	(606,143)
Infrastructure	(1,070,832)	(41,892)	(1,112,724)
Total accumulated depreciation	(2,366,670)	(107,441)	(2,474,111)
Net book value, capital assets being depreciated	825,493	78,566	904,059
Net book value, all capital assets	\$ 954,964	\$ (24,943)	\$ 930,021

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Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental activities:	
General government	\$ 6,020
Public safety	70,183
Highways and streets	30,174
Sanitation	607
Culture and recreation	7,524
Total	<u>\$ 114,508</u>
Business-type activities:	
Sewer department	<u>\$ 107,441</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2009, are as follows:

Receivable Fund	Payable Fund	Amount
General	Expendable trust	\$ 7,836
	Nonmajor	3,250
Grants	General	545,610
	Nonmajor	3,510
Nonmajor	General	36
		<u>\$ 560,242</u>

Interfund transfers during the year ended December 31, 2009 are as follows:

	Transfers In:					Total
	General Fund	Expendable Trust Fund	Grants Fund	Nonmajor Funds	Sewer Department Fund	
Transfers out:						
General fund	\$ -	\$ -	\$ -	\$ 54,424	\$ -	\$ 54,424
Expendable trust fund	16,541	-	-	-	150,000	166,541
Sewer department fund	-	490,000	-	-	-	490,000
Nonmajor funds	-	-	36,800	-	-	36,800
Total	<u>\$ 16,541</u>	<u>\$ 490,000</u>	<u>\$ 36,800</u>	<u>\$ 54,424</u>	<u>\$ 150,000</u>	<u>\$ 747,765</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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NOTE 7 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2009 consist of the following:

General fund:	
Balance of 2009-2010 district assessment due to the Allenstown School District	\$ 3,068,354
Miscellaneous fees due to the State of New Hampshire	5,082
Due to New Hampshire Retirement System	23,679
User fees due to Pembroke Water Works	5,852
Total intergovernmental payables due from the general fund	<u>\$ 3,102,967</u>
Grants fund:	
Unspent grant monies due to federal government	<u>\$ 15,473</u>
Agency fund:	
Balance of trust funds belonging to the Allenstown School District	<u>\$ 91,573</u>

NOTE 8 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue at December 31, 2009 consists of the following:

General fund:	
Property tax revenue collected in advance of the 2010 property tax warrant being issued	\$ 9,864
Grant revenue collected in advance of eligible expenditure being made	5,001
Total general fund deferred/unearned revenue	<u>\$ 14,865</u>
Grants fund:	
Federal grant revenue collected in advance of eligible expenditure being made	<u>\$ 1,058,030</u>
Sewer fund:	
Sewer billing revenue collected in advance of the 2010 sewer billing warrant being issued	<u>\$ 1,100</u>

NOTE 9 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2009:

	General Obligation Bonds Payable	Capital Leases Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 525,000	\$ 34,835	\$ 12,694	\$ 572,529
Additions	-	25,650	2,302	27,952
Reductions	(95,000)	(29,872)	-	(124,872)
Balance, ending	<u>\$ 430,000</u>	<u>\$ 30,613</u>	<u>\$ 14,996</u>	<u>\$ 475,609</u>

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Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2009	Current Portion
General obligation bonds payable:						
Judgment	\$ 700,000	1992	2011	5.3-6.2	\$ 70,000	\$ 35,000
Police station acquisition/renovations	\$ 600,000	2005	2015	4.7-7.0	360,000	60,000
					<u>430,000</u>	<u>95,000</u>
Capital leases payable:						
Ford F-350	\$ 27,300	2006	2010	6.55	5,794	5,794
Police cruiser	\$ 24,714	2008	2010	5.45	8,230	8,230
Police cruiser	\$ 25,650	2009	2011	6.10	16,589	8,049
					<u>30,613</u>	<u>22,073</u>
Compensated absences payable:						
Vacation leave					14,996	-
Total					<u>\$ 475,609</u>	<u>\$ 117,073</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2009, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2010	\$ 95,000	\$ 21,224	\$ 116,224
2011	95,000	16,240	111,240
2012	60,000	11,256	71,256
2013	60,000	8,442	68,442
2014	60,000	5,628	65,628
2015	60,000	2,814	62,814
Totals	<u>\$ 430,000</u>	<u>\$ 65,604</u>	<u>\$ 495,604</u>

The annual requirements to amortize the capital leases payable as of December 31, 2009, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2010	\$ 22,073	\$ 1,840	\$ 23,913
2011	8,540	521	9,061
Totals	<u>\$ 30,613</u>	<u>\$ 2,361</u>	<u>\$ 32,974</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Long-Term Debt Authorized-Unissued

Long term debt authorized-unissued of \$1,625,000 is a result of a special Town Meeting held June 13, 2009, at which time it was voted to issue bonds or notes in accordance with the provisions of the Municipal Finance Act (RSA 33) for the financing of an improvement to increase the capacity of the Wastewater Treatment Facility. A portion of the borrowing (\$812,500) is to come from American Recovery and Reinvestment Act (ARRA) funds, with the balance from sewer funds. No debt was issued in 2009.

TOWN OF ALLENTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 10 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2009 include the following:

	Governmental Activities	Business- type Activities	Total
Invested in capital assets, net of related debt:			
Capital assets, net of accumulated depreciation	\$ 3,053,041	\$ 930,021	\$ 3,983,062
Less:			
General obligation bonds payable, net	(430,000)	-	(430,000)
Capital leases payable	(30,613)	-	(30,613)
Total invested in capital assets, net of related debt	2,592,428	930,021	\$ 3,522,449
Restricted for perpetual care	1,375	-	1,375
Unrestricted	2,504,236	1,218,950	3,723,186
Total net assets	<u>\$ 5,098,039</u>	<u>\$ 2,148,971</u>	<u>\$ 7,247,010</u>

NOTE 11 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2009 include the following:

Reserved:	
Major fund:	
General	\$ 7,634
Nonmajor fund:	
Permanent	6,565
Total reserved fund balance	<u>14,199</u>
Unreserved-undesignated:	
Major funds:	
General	1,081,062
Expendable trust	1,403,948
Total major funds	<u>2,485,010</u>
Nonmajor funds:	
Conservation commission	1,349
Public library	11,169
Recreation revolving	238
DARE	6,876
Public safety services revolving	17,883
Total nonmajor funds	<u>37,515</u>
Total unreserved-undesignated fund balance	<u>2,522,525</u>
Total governmental fund balances	<u><u>\$ 2,536,724</u></u>

NOTE 12 – PRIOR PERIOD ADJUSTMENT

Fund equity at January 1, 2009 was restated to give retroactive effect to the following prior period adjustment:

	Government-Wide Statements
To record capital assets and related accumulated depreciation not previously reported	\$ 1,245,376
Net assets, as previously reported	2,515,197
Net assets, as restated	<u><u>\$ 3,760,573</u></u>

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 13 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the first six months of 2009, the Town contributed 11.84% for police, 15.92% for fire and 8.74% for other employees. As of July 1, those rates increased to 13.66% for police, 17.28% for fire and 9.16% for others. The contribution requirements for the Town of Allenstown for the fiscal years 2007, 2008 and 2009 were \$95,707, \$123,410 and \$114,947, respectively, which were paid in full in each year.

For the first six months of 2009, the State of New Hampshire funded 35% of the total employer normal contribution rate for police officers employed by the Town. As of July, the funding rate decreased to 30% of the total employer normal contribution rate. This amount, \$36,728, is reported as an “on-behalf payment” as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide statement of activities.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in Note 13, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town’s agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at December 31, 2009 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation is unknown.

NOTE 15 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2009, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex) Workers’ Compensation Program. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials’ liability subject to a \$1,000 deductible.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

Contributions paid in 2009 for fiscal year 2010, ending June 30, 2010, to be recorded as an insurance expenditure totaled \$58,075. There were no unpaid contributions for the year ending June 30, 2010 and due in 2009. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

The New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. The workers' compensation policy provides statutory coverage for workers' compensation. Primex retained \$500,000 of each loss. The membership and coverage run from January 1 through December 31. The estimated net contribution from the Town of Allenstown billed and paid for the year ended December 31, 2009 was \$35,584. The member participation agreement permits Primex to make additional assessments to members, should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of any additional assessment for this or any prior year.

NOTE 16 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the Town's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

NOTE 17 – DONATION

The Town received a donation of materials worth \$48,000 during 2009 from Allenstown Aggregate and Advanced Paving in support of the paving and reconstruction of Granite Street. The donation was not included in the general fund budget since it was unanticipated.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statements No. 55 and 56 as follows:

GASB Statement No. 55 *The Hierarchy of Generally Accepted Principles for State and Local Governments*

GASB Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*

The statements, which became effective at the time of issuance, were implemented by the Town this year with no significant impact. Statements 53 and 54, which were also issued in 2009, are not effective until fiscal year ended December 31, 2010 and 2011, respectively. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, will not affect the Town. However, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be mandatory for all governmental entities.

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through March 3, 2011, the date the December 31, 2009 financial statements were issued, and no events occurred requiring recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F-1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 2,056,573	\$ 2,056,573	\$ 2,102,682	\$ 46,109
Licenses and permits	469,675	469,675	552,971	83,296
Intergovernmental	324,601	332,561	337,494	4,933
Charges for services	42,000	42,000	112,967	70,967
Miscellaneous	18,500	18,500	21,964	3,464
Total revenues	<u>2,911,349</u>	<u>2,919,309</u>	<u>3,128,078</u>	<u>208,769</u>
Expenditures:				
Current:				
General government	1,040,405	1,041,755	981,927	59,828
Public safety	1,244,412	1,250,002	1,146,838	103,164
Highways and streets	434,516	446,139	406,521	39,618
Sanitation	139,995	145,933	153,888	(7,955)
Health	46,355	46,355	31,888	14,467
Welfare	65,000	65,000	53,961	11,039
Culture and recreation	37,851	37,851	29,331	8,520
Conservation	1,179	1,179	-	1,179
Economic development	1	1	-	1
Debt service:				
Principal	95,000	95,000	95,000	-
Interest	41,208	41,208	25,884	15,324
Capital outlay	11,500	11,500	-	11,500
Total expenditures	<u>3,157,422</u>	<u>3,181,923</u>	<u>2,925,238</u>	<u>256,685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(246,073)</u>	<u>(262,614)</u>	<u>202,840</u>	<u>465,454</u>
Other financing sources (uses):				
Transfers in	-	16,541	16,541	-
Transfers out	(53,927)	(53,927)	(54,424)	(497)
Total other financing sources and uses	<u>(53,927)</u>	<u>(37,386)</u>	<u>(37,883)</u>	<u>(497)</u>
Net change in fund balances	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	164,957	<u>\$ 464,957</u>
Decrease in fund balance reserved for special purposes			1,819	
Increase in fund balance reserved for tax deeded property			(6,229)	
Unreserved fund balance, beginning			920,515	
Unreserved fund balance, ending			<u>\$ 1,081,062</u>	

The notes to the required supplementary information are an integral part of this schedule.

EXHIBIT F-2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Grants Fund
For the Fiscal Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,048,970	\$ 895,924	\$ (153,046)
Miscellaneous	-	2,865	2,865
Total revenues	1,048,970	898,789	(150,181)
Expenditures:			
Capital outlay	1,048,970	935,589	113,381
Deficiency of revenues under expenditures	-	(36,800)	(36,800)
Other financing sources:			
Transfers in	-	36,800	36,800
Net change in fund balances	\$ -	-	\$ -
Unreserved fund balance, beginning		-	
Unreserved fund balance, ending		\$ -	

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF ALLENTOWN, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

General Budget Policies	1
Budgetary Reconciliation	2

TOWN OF ALLENTOWN, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

1. General Budget Policies

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general and the grants funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2009, \$300,000 of the beginning general fund fund balance was applied for this purpose.

2. Budgetary Reconciliation

The following reconciles the general fund budgetary basis to the GAAP basis.

Revenues and other financing sources:	
Per Exhibit F-1 (budgetary basis)	\$ 3,144,619
Adjustment:	
Basis difference:	
Inception of capital lease	25,650
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	36,728
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,206,997</u>
Expenditures and other financing uses:	
Per Exhibit F-1 (budgetary basis)	\$ 2,979,662
Adjustment:	
Basis differences:	
Encumbrances, beginning	22,291
Encumbrances, ending	(1,405)
Inception of capital lease	25,650
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	36,728
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,062,926</u>

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2009

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,941,573	\$ 1,985,809	\$ 44,236
Timber	12,000	13,204	1,204
Excavation	3,000	2,333	(667)
Interest and penalties on taxes	100,000	101,336	1,336
Total from taxes	<u>2,056,573</u>	<u>2,102,682</u>	<u>46,109</u>
Licenses, permits and fees:			
Business licenses, permits and fees	675	795	120
Motor vehicle permit fees	450,000	526,254	76,254
Building permits	10,000	9,939	(61)
Other	9,000	15,983	6,983
Total from licenses, permits and fees	<u>469,675</u>	<u>552,971</u>	<u>83,296</u>
Intergovernmental:			
State:			
Meals and rooms distribution	225,077	225,077	-
Highway block grant	87,463	87,463	-
State and federal forest land reimbursement	12,061	12,061	-
Other	-	4,933	4,933
Federal:			
FEMA	7,960	7,960	-
Total from intergovernmental	<u>332,561</u>	<u>337,494</u>	<u>4,933</u>
Charges for services:			
Income from departments	<u>42,000</u>	<u>112,967</u>	<u>70,967</u>
Miscellaneous:			
Sale of municipal property	4,500	1,689	(2,811)
Interest on investments	10,000	9,471	(529)
Fines and forfeits	-	2,924	2,924
Insurance dividends and reimbursements	-	1,962	1,962
Other	4,000	5,918	1,918
Total from miscellaneous	<u>18,500</u>	<u>21,964</u>	<u>3,464</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	<u>16,541</u>	<u>16,541</u>	<u>-</u>
Total revenues and other financing sources	<u>2,935,850</u>	<u>\$ 3,144,619</u>	<u>\$ 208,769</u>
Unreserved fund balance used to reduce tax rate	<u>300,000</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 3,235,850</u>		

SCHEDULE 2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2009

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 850	\$ 136,569	\$ 130,324	\$ -	\$ 7,095
Election and registration	-	51,842	41,103	-	10,739
Financial administration	-	159,928	158,898	-	1,030
Revaluation of property	-	5,000	6,776	-	(1,776)
Legal	-	30,000	46,508	-	(16,508)
Personnel administration	-	542,500	512,225	-	30,275
Planning and zoning	-	32,700	12,169	-	20,531
General government buildings	-	22,500	21,722	-	778
Cemeteries	-	2	-	-	2
Insurance, not otherwise allocated	-	53,500	46,439	-	7,061
Advertising and regional associations	-	5,284	5,263	-	21
Other	-	1,930	1,350	-	580
Total general government	850	1,041,755	982,777	-	59,828
Public safety:					
Police	575	810,922	762,143	1,405	47,949
Ambulance	-	56,500	35,841	-	20,659
Fire	16,522	324,001	309,846	-	30,677
Building inspection	-	42,952	42,878	-	74
Emergency management	-	15,627	11,822	-	3,805
Total public safety	17,097	1,250,002	1,162,530	1,405	103,164
Highways and streets:					
Highways and streets	3,694	428,543	389,964	-	42,273
Street lighting	-	17,596	20,251	-	(2,655)
Total highways and streets	3,694	446,139	410,215	-	39,618
Sanitation:					
Solid waste disposal	-	145,933	153,888	-	(7,955)
Health:					
Administration	-	6,902	4,678	-	2,224
Pest control	-	10,431	9,003	-	1,428
Health agencies	-	29,022	18,207	-	10,815
Total health	-	46,355	31,888	-	14,467
Welfare	-	65,000	53,961	-	11,039
Culture and recreation:					
Parks and recreation	650	35,500	27,681	-	8,469
Patriotic purposes	-	2,351	2,300	-	51
Total culture and recreation	650	37,851	29,981	-	8,520
Conservation	-	1,179	-	-	1,179
Economic development	-	1	-	-	1

(Continued)

SCHEDULE 2 (Continued)
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2009

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	95,000	95,000	-	-
Interest on long-term debt	-	26,208	25,884	-	324
Interest on tax anticipation notes	-	15,000	-	-	15,000
Total debt service	-	136,208	120,884	-	15,324
Capital outlay:					
Machinery, equipment and vehicles	-	11,500	-	-	11,500
Other financing uses:					
Transfers out:					
Nonmajor fund:					
Public library	-	53,927	54,424	-	(497)
Total appropriations, expenditures, other financing uses and encumbrances	\$ 22,291	\$ 3,235,850	\$ 3,000,548	\$ 1,405	\$ 256,188

SCHEDULE 3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2009

Unreserved, undesignated fund balance, beginning		\$ 920,515
Changes:		
Unreserved fund balance used to reduce 2009 tax rate		(300,000)
2009 Budget summary:		
Revenue surplus (Schedule 1)	\$ 208,769	
Unexpended balance of appropriations (Schedule 2)	256,188	
2009 Budget surplus		<u>464,957</u>
Decrease in fund balance reserved for special purposes		1,819
Increase in fund balance reserved for tax deeded property		<u>(6,229)</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 1,081,062</u></u>

SCHEDULE 4
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2009

	Special Revenue Funds						Total
	Conservation Commission	Public Library	Recreation Revolving	DARE	Public Safety Services Revolving	Permanent Fund	
ASSETS							
Cash and cash equivalents	\$ 1,349	\$ 8,211	\$ 238	\$ 8,032	\$ 21,357	\$ 6,565	\$ 45,752
Investments	-	5,052	-	-	-	-	5,052
Interfund receivable	-	-	-	-	36	-	36
Total assets	<u>\$ 1,349</u>	<u>\$ 13,263</u>	<u>\$ 238</u>	<u>\$ 8,032</u>	<u>\$ 21,393</u>	<u>\$ 6,565</u>	<u>\$ 50,840</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund payable	\$ -	\$ 2,094	\$ -	\$ 1,156	\$ 3,510	\$ -	\$ 6,760
Fund balances:							
Reserved for endowments	-	-	-	-	-	1,375	1,375
Reserved for special purposes	-	-	-	-	-	5,190	5,190
Unreserved, undesignated	1,349	11,169	238	6,876	17,883	-	37,515
Total fund balances	<u>1,349</u>	<u>11,169</u>	<u>238</u>	<u>6,876</u>	<u>17,883</u>	<u>6,565</u>	<u>44,080</u>
Total liabilities and fund balances	<u>\$ 1,349</u>	<u>\$ 13,263</u>	<u>\$ 238</u>	<u>\$ 8,032</u>	<u>\$ 21,393</u>	<u>\$ 6,565</u>	<u>\$ 50,840</u>

SCHEDULE 5
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2009

	Special Revenue Funds						
	Conservation Commission	Public Library	Recreation Revolving	DARE	Public Safety Services Revolving	Permanent Fund	Total
Revenues:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 2,160	\$ -	\$ 2,160
Charges for services	-	-	-	-	16,841	-	16,841
Miscellaneous	1,197	2,892	-	5,479	156	77	9,801
Total revenues	1,197	2,892	-	5,479	19,157	77	28,802
Expenditures:							
Current:							
Public safety	-	-	-	-	15,927	-	15,927
Culture and recreation	-	95,409	30	-	-	-	95,439
Total expenditures	-	95,409	30	-	15,927	-	111,366
Excess (deficiency) of revenues over (under) expenditures	1,197	(92,517)	(30)	5,479	3,230	77	(82,564)
Other financing sources (uses):							
Transfers in	-	54,424	-	-	-	-	54,424
Transfers out	(36,800)	-	-	-	-	-	(36,800)
Total other financing sources and uses	(36,800)	54,424	-	-	-	-	17,624
Net change in fund balances	(35,603)	(38,093)	(30)	5,479	3,230	77	(64,940)
Fund balances, beginning	36,952	49,262	268	1,397	14,653	6,488	109,020
Fund balances, ending	\$ 1,349	\$ 11,169	\$ 238	\$ 6,876	\$ 17,883	\$ 6,565	\$ 44,080



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Selectmen
Town of Allenstown
Allenstown, New Hampshire

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Allenstown as of and for the year ended December 31, 2009, which collectively comprise the Town of Allenstown's basic financial statements and have issued our report thereon dated March 3, 2011. Our report on the financial statements of the governmental activities was adverse as indicated therein. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Allenstown's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Allenstown's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Allenstown's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-01, 09-02, and 09-03 to be material weaknesses.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the Town of Allenstown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Allentown

***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
On a Audit of financial Statements Performed in Accordance with Government Auditing Standards***

The Town of Allentown's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Allentown's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the board of selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gregory A. Colly, CPA

March 3, 2011

PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Members of the Board of Selectmen
Town of Allenstown
Allenstown, New Hampshire

Compliance

We have audited the compliance of the Town of Allenstown with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Town of Allenstown's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town of Allenstown's management. Our responsibility is to express an opinion on the Town of Allenstown's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Allenstown's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Allenstown's compliance with those requirements.

In our opinion, the Town of Allenstown complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-04 and 09-05.

Internal Control over Compliance

Management of the Town of Allenstown is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Allenstown's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*Town of Allenstown
Report on Compliance With Requirements Applicable to Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133*

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town of Allenstown's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Allenstown's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the board of selectmen, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gregory A. Colby, CPA

March 3, 2011

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of each major fund, the business-type activities and the aggregate remaining fund information, and an adverse opinion on the financial statements of the governmental activities.
2. There were three material weakness identified relating to the internal control over financial reporting.
3. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over financial reporting.
4. There were no instances of noncompliance material to the financial statements identified.

B. Federal Awards

1. There were no material weaknesses identified relating to the internal control over major programs.
2. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over major programs.
3. The auditor's report on compliance for major programs expresses an unqualified opinion.
4. There are two audit findings required to be reported in accordance with section 510(a) of OMB Circular A-133, which are reported in Section III of this Schedule.
5. The program tested as a major program is CFDA No. 97.029 Flood Mitigation Assistance.
6. The threshold for distinguishing between Types A and B programs was \$300,000.
7. The Town of Allentown was determined not to be a low-risk auditee.

**Auditor
Reference
Number**

SECTION II - FINANCIAL STATEMENT FINDINGS

09-01 Financial Statement Preparation

Criteria: The purpose of an audit is to provide opinions on the financial statements of the Town as presented by the Town.

Condition: Due to the limited number of personnel in the Town, the Board of Selectmen have requested that our firm prepare the financial statements and footnote disclosures for them to review and approve. This does not violate professional independence standards as management takes responsibility for the statements and it is the most cost effective option for the Town.

Effect: There is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by management's review of the financial statements.

Recommendation: We recommend that the Board of Selectmen continue to evaluate whether it is cost effective to hire an individual with qualifications to prepare the financial statements and note disclosures.

Management Response: The Town agrees with the auditor's recommendation and will continue to evaluate the most cost effective manner in which to address this deficiency. A new Town Administrator is in place, and both the Select Board and the Budget Committee have added a line-item in the budget that anticipates hiring a person with the qualifications to prepare the financial statements and disclosures.

SCHEDULE I (continued)
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

09-02 Town Policies

Criteria: The Town's control policies should ensure that management and employees establish and maintain an environment throughout the Town that sets a positive and supportive attitude toward internal controls and conscientious management. The control environment established by the Board of Selectmen sets the tone for how the Town employees and elected officials conduct its business.

Condition: The Town has yet to formally adopt any policies for anti-fraud, computer and internet usage, accounting procedures, and disaster recovery, which are essential tools necessary to manage the Town's operations efficiently and effectively.

Effect: The Town is at greater risk for exposure to losses by not having adequate policies in place.

Recommendation: We recommend that the Board of Selectmen develop and formally adopt the above noted policies in order to clearly communicate the Town's position on these issues. Adoption of the various policies is critical in preventing interruptions due to personnel vacancies, which helps facilitate supervision and evaluation, and will also help minimize the risk of losses.

Management Response: The Town agrees with the auditor's recommendation, and is in the process of replacing its computer system with a new system that will include a more comprehensive means for disaster recovery. The Select Board is scheduled to consider a computer and internet usage procedure, and will continue its efforts to ensure that further policies are developed and implemented.

09-03 Sewer Department Internal Controls

Criteria: State Statutes (RSA 41:29) requires that the Town Treasurer maintain accurate and suitable records, which implies monthly reconciliations between accounting records and bank statements.

Condition: Upon examination of the records of the Town Treasurer, it was noted that the Town Treasurer does not reconcile the Sewer Department cash accounts. Instead, the Sewer Bookkeeper reconciles the accounts, processes receipts, makes deposits, and pays bills. Besides the lack of segregation of duties causing internal control weaknesses, controls are further weakened due to the Town Treasurer not reconciling the accounts.

Effect: The Town Treasurer is not performing the duties of her office as required by state statutes.

Recommendation: We recommend that the Town Treasurer reconcile the Sewer Department bank accounts monthly, or at a minimum, review and formally approve the Sewer Bookkeeper's reconciliations. We also recommend that a review of the Sewer Department be conducted to further determine the weaknesses in internal accounting control.

Management Response: The Town agrees with the auditor's recommendation. The Select Board understands that the Treasurer will reviewing and approving the Sewer Department bookkeeper's reconciliations as a result of earlier recommendations.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**U.S. Department of Homeland Security passed through the State of New Hampshire Department of Safety:
CFDA No. 97.029 Flood Mitigation Assistance**

09-04 Criteria: Interest earned by local government and Indian tribal government grantees and sub-grantees on advances of federal funding is required to be submitted promptly, but at least quarterly, to the federal granting agency. Up to \$100 per year may be kept for administrative expenses.

Condition: While documenting internal controls over the Cash Management requirement with the Town, it was noted that the Town has placed federal funding advancements into an interest bearing bank account and has earned over \$100 of interest income on the funds; however, the excess interest over \$100 has not been remitted to the federal government as required.

SCHEDULE I (continued)
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

Effect: The Town is not in compliance with cash management requirements.

Recommendation: We recommend that the Town determine the exact amount of interest earned on the received federal funds since the first receipt of the funds to date and return to the federal granting agency any interest earned over \$100 and repeat this process at least quarterly until the grant program has ended.

Management Response: The Town agrees with the auditor's recommendation. The Select Board will instruct the Town Administrator to determine the exact amount of interest earned on the received federal funds since first receipt of funds to date and return to the federal granting agency any interest earned over \$100 and repeat this process at least on a quarterly basis until the program has ended.

09-05 Criteria: According to 2 *CFR part 180*, Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a non-procurement transaction (i.e. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System* maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Condition: During suspension and debarment testing, it was noted that the Town contracted with one vendor for grant administration assistance for over \$25,000 where the Town did not verify that the vendor was not suspended or debarred from doing business with the Federal Government.

Effect: The Town is not in compliance with procurement and suspension and debarment requirements.

Recommendation: We recommend that any individuals or organizations that the Town contracts with in the future for over \$25,000 that are paid with Federal funds be verified by the Town that they are not suspended or debarred from doing business with the Federal Government.

Management Response: The Town agrees with the auditor's recommendation. The Select Board will instruct the Town Administrator to verify that any individual or organization that the Town contracts with in the future for over \$25,000 that are paid with Federal funds is not suspended or debarred from doing business with the Federal Government.

SCHEDULE II
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the New Hampshire Department of Transportation			
Highway Planning and Construction	20.205	15550, 15550A, 15775, and 15775A	\$ 25,238
Passed Through the New Hampshire Highway Safety Agency			
HIGHWAY SAFETY CLUSTER			
State and Community Highway Safety:			
Allenstown Enforcement Patrols	20.600	315-09B-035	1,490
Allenstown Extraction Equipment	20.600	315-09B-003	4,500
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	308-09B-069	2,936
<i>CLUSTER TOTAL</i>			<u>8,926</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through the State of New Hampshire Department of Environmental Services			
Capitalization Grants for Clean Water State Revolving Funds (<i>note 3</i>)	66.458	CS-333104-02	91,001
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the New Hampshire Department of Safety			
Flood Mitigation Assistance:			
FEMA Project #1 (3 & 4 Albin Ave)	97.029	FMA-PJ-01-NH-2008-002	257,952
FEMA Project #2 (14, 15, & 19 Riverside Dr)	97.029	FMA-PJ-01-NH-2008-003	274,641
FEMA Project #3 (1, 2, & 11 Riverside Dr)	97.029	FMA-PJ-01-NH-2008-004	83,091
FEMA Project #4 (16, 28, & 62 Riverside Dr)	97.029	FMA-PJ-01-NH-2008-005	197
FEMA Project #5 (22 & 35-37 Riverside Dr & 3 Jillerick Rd)	97.029	FMA-PJ-01-NH-2008-006	213,468
<i>PROGRAM TOTAL</i>			<u>829,349</u>
Hazard Mitigation Grant	97.039	FEMA-DR-1695-NH-19R	77,495
Emergency Management Performance Grants	97.042	N/A	3,510
Total Expenditures of Federal Awards			<u><u>\$ 1,035,519</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of the Town of Allenstown under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Allenstown, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Allenstown.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A- 87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Loans Outstanding

The Town of Allenstown had the following loan balance outstanding at December 31, 2009. Loan proceeds obtained by the entity during the year are included in the federal expenditures presented in the schedule.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$91,001